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62-5621

7 August 1962

Honorable David E. Bell
Director
Bureau of the Budget
Washington 25, D. C.

Dear Mr. Bell:

In his letter to you of 2 August 1962, the Director of Central Intelligence submitted for clearance by the Bureau of the Budget a draft bill "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." Enclosed as Attachment 1 is an estimate of the costs of the proposed legislation prepared by the Agency after discussion with persons experienced in the field in the Department of State and the Civil Service Commission.

For your assistance in considering the proposed bill, there is enclosed, as Attachment 2, a chart which is a comparison of the pertinent provisions of the Foreign Service Retirement System and the Civil Service Retirement Act. This chart is based on a similar chart appearing in the Report of the House Committee on Foreign Affairs in the 2nd session of the 86th Congress. The chart was prepared at that time in connection with proposed amendments to the Foreign Service Act of 1946, as amended, relating to the retirement system which proposals were subsequently enacted into law. Enclosed as Attachment 3 are selected cases which illustrate the annuities payable in various situations under the Foreign Service Retirement System as contrasted with the Civil Service Retirement Act.

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Excluded from automatic
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I would like to express my appreciation for the efforts of your office in assisting the Agency and the prompt attention which our request has received.

Faithfully yours,

SIGNED

Marshall S. Carter
Lieutenant General, USA
Acting Director

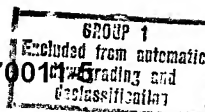
Enclosures - 3

Att 1
Att 2
Att 3

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003 - Addressee
1 - DCI
1 - DDCI
X - ER
1 - Comptroller
1 - Legislative Counsel
1 - D/Pers
1 - Executive Director
1 - A/DDS

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TAB

COST ESTIMATES

25X1 1. There will be certain increased costs for the administration of the retirement system. For reasons of efficiency and security, it is considered essential that full administration of the program excluding maintenance of the fund by the Department of the Treasury (as required by law in the case of the Foreign Service Retirement Fund) be accomplished within the Agency. It is estimated that by the end of the first five years the administration of the proposed program would cost [redacted] 25X1 increase of [redacted]. Internal administration of the program would include determinations of eligibility and entitlements, payment of retirement benefits, and all related administrative matters.

2. Program costs cannot be estimated with comparable precision. Nevertheless, reasonably valid estimates have been made on the basis of actuarial experience of the civil service and Foreign Service systems.

The most recent annual report of the Chairman of the Civil Service Commission presents cost factors indicating that in addition to the 13% of payroll contributed by the employee and the employing Agency the Government would be required to contribute an additional .83% of the annual payroll of covered employees to support the benefits accruing on account of current service.

25X1 Similar, although not fully comparable data pertaining to the Foreign Service Retirement system, indicates that additional contributions by the Government of 10.69% would be required. Using the difference between these two estimates as reflecting the cost differentials of the differing benefits of the two programs and applying it to the estimated annual payroll of the [redacted] Agency employees eligible for the proposed retirement system, we compute that a maximum additional Government contribution of [redacted] 25X1 annually would be required. However, it has not been government practice for many years to fully fund its retirement programs. Further, there have been special charges against the Foreign Service Retirement Fund which go beyond the basic benefits of the proposed CIA system. 25X1

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Approved For Release 2002/09/04 : CIA-RDP80B01676R002800070011-5

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TAB

COMPARISON OF FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM*

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
A. Coverage.....	Government employees generally, unless temporary, intermittent or subject to another Federal retirement system.	All FSO's, plus non-FSO's who have served as chiefs of mission for an aggregate period of 20 years or more; Foreign Service Staff (FSS) officers and employees with 10 or more years of continuous service in the Foreign Service.	803	Most Staff officers and employees and Foreign Service Reserve officers are presently covered by CSR.
B. Contributions:				
1. Compulsory.....	6 1/4 percent of employee's basic salary. Agency contribution of 6 1/4 percent of employee's basic salary.	6 1/4 percent of employee's basic salary. Agency contribution of 6 1/4 percent of employee's basic salary.	811	FSR same as CSR.
2. Voluntary.....	Maximum 10 percent of total basic salary received since Aug. 1, 1920. Payable in multiples of \$25.	Maximum of 10 percent of total basic salary received since July 1, 1939. Payable in multiples of 1 percent.	-----	Do.
C. Benefits:				
1. Annuity.....	Annuity.—Based on high 5 average years of salary 1 1/4 percent times 5 years, plus 1 3/4 percent times next 5 years, plus 2 percent times all years over 10 years of creditable service. Annuity not to exceed 80 percent of high 5 average salary.	Based on high 5 average years of salary 2 percent times total number years creditable service not to exceed 35 years.	821	CSR provides maximum 80 percent high 5 average. FSR provides maximum 70 percent high 5 average.
2. Reduced annuities.....	Reduced annuity with benefits to widow or widower. Corresponding benefits to each dependent child.	Surviving children, widowers, and dependent widowers may be included as survivor annuitants.	804	FSR provides survivorship benefits comparable to those of CSR.
3. Survivor annuities:				
(a) Married participant...	Basic general formula.—Widow or widower (if survivor annuity elected by retiring employee): 1/4 of all or whatever portion of earned annuity specified as base. Annuity terminates on death or remarriage. Employee's annuity reduced by 2 1/4 percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.	Widow or widower (if survivor annuity elected by retiring employee): 1/4 of all or whatever portion of earned annuity specified as base. Annuity terminates only on death of widow or widower. Employee's annuity reduced by 2 1/4 percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.	821	Important difference in the FSR provision is that the annuity of a surviving widow or widower terminates only on death of such survivor.
	Children: A surviving wife or husband: 40 percent of average salary divided by number of children, \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: 1/4 average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death,	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: 1/4 average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death,	-----	Do.
			-----	Do.
			-----	Do.

* INFORMATION TAKEN FROM CHART ENTITLED "COMPARISON OF MAJOR PROPOSED CHANGES IN THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM" APPEARING IN HOUSE OF REPRESENTATIVES REPORTS NOS. 1890 AND 2104, 86TH CONGRESS, 2D SESSION, FOREIGN SERVICE ACT AMENDMENTS OF 1960.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
C. Benefits—Continued				
6. Discontinued service retirement.	<p>sation Commission or be deducted from annuity payments for that purpose.</p> <p>Deferred annuity payable at 62 if separated employee has 5 years of civilian service credit.</p>	<p>Deferred annuity payable at age 60 if separated employee has 5 years of civilian service credit.</p>	834	FSR provides payment of deferred annuity at age 60.
7. Disposition of contributions in excess of benefits received.	<p>If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.</p>	<p>If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.</p>	841	FSR aligns precedence provisions with those of CSR.
D. Creditable service:				
1. Leave without pay.....	<p>Includes: Leave of absence without pay granted during covered employment while performing active honorable military service;</p> <p>Leave of absence without pay granted during covered employment while receiving FEC benefits;</p>	<p>Includes: Leave of absence for active military or naval service.</p>	851	FSR same as CSR.
2. District of Columbia employment.	<p>Civilian employment with District of Columbia government.</p>	<p>Includes leave of absence granted during covered employment while receiving FEC benefits.</p>	-----	Do.
3. Transfer of funds.....	<p>Civilian employment with District of Columbia government.</p> <p>No provision.....</p>	<p>Includes civilian employment with District of Columbia government.</p>	852	Do.
		<p>Provides for direct transfer to FSR fund of all regular contributions (with interest) made by officer or employee to other Government retirement system under which previously covered. Funds transfer discharges other system of all benefit obligations based on service involved.</p>	852	<p>At present persons becoming participants in FSR system may purchase prior service credit by making a special contribution to FSR fund for such amount of service credit as they elect to purchase. The new provision provides for the automatic transfer of contributions in another Government system to the FSR fund when a person becomes a participant in the FSR system by transfer from other Government service.</p>
E. Officers recalled or reinstated.....	<p>No provision exactly comparable.</p>	<p>Recomputation of annuity of an officer recalled in the Service and retired a second time.</p>	871	
F. Reemployment of annuitants.....	<p>Any annuitant reemployed after retirement for age or based on voluntary separation or an involuntary separation for cause, or if retired for disability and is age 60 or over at the time of reemployment, retains his full annuity, but the salary of his position must be reduced by the amount of annuity received.</p>	<p>Provides that reemployed Foreign Service annuitants receive full salary of the position appointed plus portion of their annuity which when added to the salary would equal the base salary received at time of retirement from the Foreign Service.</p>	872	<p>FSR provides for potential higher combined income for reemployed Foreign Service annuitants and provides authority to reemploy FSO retired for age.</p>

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
C. Benefits—Continued				
(b) Unmarried participant.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Person in whom annuitant has insurable interest (if survivorship and reduced annuity elected): $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor annuity continues for life.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Designated beneficiary: $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor's annuity continues for life.	821	FSR does not require that the designated beneficiary have an insurable interest.
4. Death in service: (a) Widow-widower.....	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death or remarriage or until widower becomes capable of self-support.	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death of surviving widow or dependent widower or until dependent widower becomes capable of self-support.	832	FSR provides continuation of widow's annuity until death and allows the survivor to receive the annuity based on at least 20 years of service.
(b) Children:	Children: A surviving wife or husband: 40 percent average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: $\frac{1}{2}$ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: $\frac{1}{2}$ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	832	FSR same as CSR.
5. Disability retirement.....	After 5 years of civilian service: Same as full age and service benefit. (Guaranteed 40 percent of average salary or annuity projected to age 60 whichever is lesser.)	Excludes from initial 5 years' free credit granted for military service for which no contribution has been made to the fund. Limits amount of extra service credit that can be accredited to a disability annuitant to the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service.	831	FSR same as CSR.
(a) Tax exemption.....	Elective survivor benefits based on actual years of service credit.	Elective survivor benefits based on service credit upon which participant's annuity is computed.	831	FSR provides minimum service credit of 20 years or difference between age of participant at time of retirement and mandatory retirement age, whichever is lesser.
(b) Bar to double annuity	No provision.....	Exempts disability annuity from Federal income tax. Same as civil service.....	51	FSR provides tax exemptions.
	If receiving disability compensation under Federal Employees' Compensation Act, Sept. 7, 1916, is not eligible for annuity for same period but not barred from greater benefit of either act. Also is not barred from receiving annuity under this act by reason of own services while receiving concurrently any payment under Federal Employees' Compensation Act by reason of death of some other person. If awarded lump sum under sec. 17 of FEC, amount covering period beyond effective date of annuity must be refunded to U.S. Employees' Compensation Act.		831	FSR same as CSR.

TAB

EXAMPLES OF COMPARATIVE ANNUITIES

ATT. 3

CIVIL SERVICE RETIREMENT VS. FOREIGN SERVICE RETIREMENT

High Five Average Salary \$17,570 (top step GS-17)

Age	Years of Service	Annuity		Increase	
		Civil Service	Foreign Service	Dollars	%
50	20	\$ 5,411	\$ 7,028	\$ 1,617	30%
50	25	6,905	8,785	1,880	27%
55	25	7,713	8,785	1,072	14%
55	30	9,382	10,542	1,160	12%
60	30	9,874	10,542	668	7%
60	35	11,631	12,299	668	6%

High Five Average Salary \$15,030 (top step GS-15)

50	20	4,629	6,012	1,383	30%
50	25	5,906	7,515	1,609	27%
55	25	6,598	7,515	917	14%
55	30	8,026	9,018	992	12%
60	30	8,446	9,018	572	7%
60	35	9,949	10,521	572	6%

High Five Average Salary \$11,935 (top step GS-13)

50	20	3,675	4,774	1,099	30%
50	25	4,690	5,967	1,277	27%
55	25	5,239	5,967	728	14%
55	30	6,373	7,161	788	12%
60	30	6,707	7,161	454	7%
60	35	7,900	8,354	454	6%

High Five Average Salary \$8,860 (top step GS-11)

50	20	2,728	3,544	816	30%
50	25	3,481	4,430	949	27%
55	25	3,889	4,430	541	14%
55	30	4,731	5,316	585	12%
60	30	4,979	5,316	337	7%
60	35	5,865	6,202	337	6%

NOTE: The percentage increase is constant for any particular combination of age and length of service, regardless of the salary level to which it is applied.

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62-5621

7 August 1962

Honorable David E. Bell
Director
Bureau of the Budget
Washington 25, D. C.

Dear Mr. Bell:

In his letter to you of 2 August 1962, the Director of Central Intelligence submitted for clearance by the Bureau of the Budget a draft bill "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." Enclosed as Attachment 1 is an estimate of the costs of the proposed legislation prepared by the Agency after discussion with persons experienced in the field in the Department of State and the Civil Service Commission.

For your assistance in considering the proposed bill, there is enclosed, as Attachment 2, a chart which is a comparison of the pertinent provisions of the Foreign Service Retirement System and the Civil Service Retirement Act. This chart is based on a similar chart appearing in the Report of the House Committee on Foreign Affairs in the 2nd session of the 86th Congress. The chart was prepared at that time in connection with proposed amendments to the Foreign Service Act of 1946, as amended, relating to the retirement system which proposals were subsequently enacted into law. Enclosed as Attachment 3 are selected cases which illustrate the annuities payable in various situations under the Foreign Service Retirement System as contrasted with the Civil Service Retirement Act.

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I would like to express my appreciation for the efforts of your office in assisting the Agency and the prompt attention which our request has received.

Faithfully yours,

SIGNED

Marshall S. Carter
Lieutenant General, USA
Acting Director

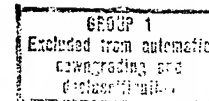
Enclosures - 3

Att 1
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Distribution:

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1 - DCI
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COST ESTIMATES

1. There will be certain increased costs for the administration of the retirement system. For reasons of efficiency and security, it is considered essential that full administration of the program excluding maintenance of the fund by the Department of the Treasury (as required by law in the case of the Foreign Service Retirement Fund) be accomplished within the Agency. It is estimated that by the end of the first five years the administration of the proposed program would cost [redacted] with an increase of [redacted]. Internal administration of the program would include determinations of eligibility and entitlements, payment of retirement benefits, and all related administrative matters.

2. Program costs cannot be estimated with comparable precision. Nevertheless, reasonably valid estimates have been made on the basis of actuarial experience of the civil service and Foreign Service systems.

The most recent annual report of the Chairman of the Civil Service Commission presents cost factors indicating that in addition to the 13% of payroll contributed by the employee and the employing Agency the Government would be required to contribute an additional .83% of the annual payroll of covered employees to support the benefits accruing on account of current service.

Similar, although not fully comparable data pertaining to the Foreign Service Retirement system, indicates that additional contributions by the Government of 10.69% would be required. Using the difference between these two estimates as reflecting the cost differentials of the differing benefits of the two programs and applying it to the estimated annual payroll of the [redacted] Agency employees eligible for the proposed retirement system, we compute that a maximum additional Government contribution of [redacted] annually would be required. However, it has not been government practice for many years to fully fund its retirement programs. Further, there have been special charges against the Foreign Service Retirement Fund which go beyond the basic benefits of the proposed CIA system.

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ATT.

2

COMPARISON OF FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM*

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
A. Coverage.....	Government employees generally, unless temporary, intermittent or subject to another Federal retirement system.	All FSO's, plus non-FSO's who have served as chiefs of mission for an aggregate period of 20 years or more; Foreign Service Staff (FSS) officers and employees with 10 or more years of continuous service in the Foreign Service.	803	Most Staff officers and employees and Foreign Service Reserve officers are presently covered by CSR.
B. Contributions:				
1. Compulsory.....	6½ percent of employee's basic salary. Agency contribution of 6½ percent of employee's basic salary.	6½ percent of employee's basic salary. Agency contribution of 6½ percent of employee's basic salary.	811	FSR same as CSR.
2. Voluntary.....	Maximum 10 percent of total basic salary received since Aug. 1, 1920. Payable in multiples of \$25.	Maximum of 10 percent of total basic salary received since July 1, 1939. Payable in multiples of 1 percent.	-----	Do.
C. Benefits:				
1. Annuity.....	Annuity.—Based on high 5 average years of salary 1½ percent times 5 years, plus 1¾ percent times next 5 years, plus 2 percent times all years over 10 years of creditable service. Annuity not to exceed 80 percent of high 5 average salary.	Based on high 5 average years of salary 2 percent times total number years creditable service not to exceed 35 years.	821	CSR provides maximum 80 percent high 5 average. FSR provides maximum 70 percent high 5 average.
2. Reduced annuities.....	Reduced annuity with benefits to widow or widower. Corresponding benefits to each dependent child.	Surviving children, widowers, and dependent widowers may be included as survivor annuitants.	804	FSR provides survivorship benefits comparable to those of CSR.
3. Survivor annuities:				
(a) Married participant....	Basic general formula.—Widow or widower (if survivor annuity elected by retiring employee): ½ of all or whatever portion of earned annuity specified as base. Annuity terminates on death or remarriage. Employee's annuity reduced by 2½ percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.	Widow or widower (if survivor annuity elected by retiring employee): ½ of all or whatever portion of earned annuity specified as base. Annuity terminates only on death of widow or widower. Employee's annuity reduced by 2½ percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.	821	Important difference in the FSR provision is that the annuity of a surviving widow or widower terminates only on death of such survivor.
	Children: A surviving wife or husband: 40 percent of average salary divided by number of children, \$800; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: ½ average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: ½ average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	-----	Do.
			-----	Do.
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* INFORMATION TAKEN FROM CHART ENTITLED "COMPARISON OF MAJOR PROPOSED CHANGES IN THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM" APPEARING IN HOUSE OF REPRESENTATIVES REPORTS NOS. 1890 AND 2104, 86TH CONGRESS, 2D SESSION, FOREIGN SERVICE ACT AMENDMENTS OF 1960.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
C. Benefits—Continued				
6. Discontinued service retirement.	sation Commission or be deducted from annuity payments for that purpose. Deferred annuity payable at 62 if separated employee has 5 years of civilian service credit.	Deferred annuity payable at age 60 if separated employee has 5 years of civilian service credit.	834	FSR provides payment of deferred annuity at age 60.
7. Disposition of contributions in excess of benefits received.	If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.	If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.	841	FSR aligns precedence provisions with those of CSR.
D. Creditable service:				
1. Leave without pay.....	Includes: Leave of absence without pay granted during covered employment while performing active honorable military service;	Includes: Leave of absence for active military or naval service.	851	FSR same as CSR.
	Leave of absence without pay granted during covered employment while receiving FEC benefits;	Includes leave of absence granted during covered employment while receiving FEC benefits.	-----	Do.
2. District of Columbia employment.	Civilian employment with District of Columbia government.	Includes civilian employment with District of Columbia government.	852	Do.
3. Transfer of funds.....	No provision.....	Provides for direct transfer to FSR fund of all regular contributions (with interest) made by officer or employee to other Government retirement system under which previously covered. Funds transfer discharges other system of all benefit obligations based on service involved.	852	At present persons becoming participants in FSR system may purchase prior service credit by making a special contribution to FSR fund for such amount of service credit as they elect to purchase. The new provision provides for the automatic transfer of contributions in another Government system to the FSR fund when a person becomes a participant in the FSR system by transfer from other Government service.
E. Officers recalled or reinstated.....	No provision exactly comparable.	Recomputation of annuity of an officer recalled in the Service and retired a second time.	871	
F. Reemployment of annuitants.....	Any annuitant reemployed after retirement for age or based on voluntary separation or an involuntary separation for cause, or if retired for disability and is age 60 or over at the time of reemployment, retains his full annuity, but the salary of his position must be reduced by the amount of annuity received.	Provides that reemployed Foreign Service annuitants receive full salary of the position appointed plus portion of their annuity which when added to the salary would equal the base salary received at time of retirement from the Foreign Service.	872	FSR provides for potential higher combined income for reemployed Foreign Service annuitants and provides authority to reemploy FSO retired for age.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
C. Benefits—Continued				
(b) Unmarried participant.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Person in whom annuitant has insurable interest (if survivorship and reduced annuity elected): $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor annuity continues for life.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Designated beneficiary: $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor's annuity continues for life.	821	FSR does not require that the designated beneficiary have an insurable interest.
4. Death in service: (a) Widow-widower.....	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death or remarriage or until widower becomes capable of self-support.	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death of surviving widow or dependent widower or until dependent widower becomes capable of self-support.	832	FSR provides continuation of widow's annuity until death and allows the survivor to receive the annuity based on at least 20 years of service.
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5. Disability retirement.....	After 5 years of civilian service: Same as full age and service benefit. (Guaranteed 40 percent of average salary or annuity projected to age 60 whichever is lesser.)	Excludes from initial 5 years' free credit granted for military service for which no contribution has been made to the fund. Limits amount of extra service credit that can be accredited to the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service.	831	FSR same as CSR.
(a) Tax exemption.....	Elective survivor benefits based on actual years of service credit.	Elective survivor benefits based on service credit upon which participant's annuity is computed.	831	FSR provides minimum service credit of 20 years or difference between age of participant at time of retirement and mandatory retirement age, whichever is lesser.
(b) Bar to double annuity	No provision..... If receiving disability compensation under Federal Employees' Compensation Act, Sept. 7, 1916, is not eligible for annuity for same period but not barred from greater benefit of either act. Also is not barred from receiving annuity under this act by reason of own services while receiving concurrently any payment under Federal Employees' Compensation Act by reason of death of some other person. If awarded lump sum under sec. 17 of FEC, amount covering period beyond effective date of annuity must be refunded to U.S. Employees' Compens.	Exempts disability annuity from Federal income tax. Same as civil service.....	51 831	FSR provides tax exemptions. FSR same as CSR.

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EXAMPLES OF COMPARATIVE ANNUITIES

ATT. 3

CIVIL SERVICE RETIREMENT VS. FOREIGN SERVICE RETIREMENTHigh Five Average Salary \$17,570 (top step GS-17)

Age	Years of Service	Annuity		Increase	
		Civil Service	Foreign Service	Dollars	%
50	20	\$ 5,411	\$ 7,028	\$ 1,617	30%
50	25	6,905	8,785	1,880	27%
55	25	7,713	8,785	1,072	14%
55	30	9,382	10,542	1,160	12%
60	30	9,874	10,542	668	7%
60	35	11,631	12,299	668	6%

High Five Average Salary \$15,030 (top step GS-15)

50	20	4,629	6,012	1,383	30%
50	25	5,906	7,515	1,609	27%
55	25	6,598	7,515	917	14%
55	30	8,026	9,018	992	12%
60	30	8,446	9,018	572	7%
60	35	9,949	10,521	572	6%

High Five Average Salary \$11,935 (top step GS-13)

50	20	3,675	4,774	1,099	30%
50	25	4,690	5,967	1,277	27%
55	25	5,239	5,967	728	14%
55	30	6,373	7,161	788	12%
60	30	6,707	7,161	454	7%
60	35	7,900	8,354	454	6%

High Five Average Salary \$8,860 (top step GS-11)

50	20	2,728	3,544	816	30%
50	25	3,481	4,430	949	27%
55	25	3,889	4,430	541	14%
55	30	4,731	5,316	585	12%
60	30	4,979	5,316	337	7%
60	35	5,865	6,202	337	6%

NOTE: The percentage increase is constant for any particular combination of age and length of service, regardless of the salary level to which it is applied.

62-5509/1

SECRET

2 August 1962

Honorable David E. Bell
Director
Bureau of the Budget
Washington, D. C.

Dear Mr. Bell:

In accordance with Bureau of the Budget Circular A-19, revised, there are enclosed four copies of a draft bill, "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." This bill is submitted for clearance by the Bureau of the Budget prior to submission to the Congress. Also enclosed are copies of the explanation and justification which are necessarily classified SECRET, together with proposed letters of transmittal to the President of the Senate and the Speaker of the House.

The proposed legislation would authorize the Director of Central Intelligence to establish a retirement and disability system corresponding to that available to Foreign Service Officers for certain limited numbers of Agency employees. We have studied most carefully the subject of an appropriate retirement program for these employees and have concluded that the proposed bill would fulfill our requirements. Consequently, I consider its enactment into law essential to the effective performance of our mission.

I am aware of the normal procedures required in the processing of proposed legislation. I believe this bill warrants special consideration and I urgently request you to give this matter high priority since we are hopeful of having legislation introduced and passed in this session of the Congress. If there is any additional information needed or if there is any way this Agency can assist in your consideration of the proposed bill, I assure you of our willingness to cooperate in every way possible.

Sincerely,

JOHN A. MCCOMB

John A. McComb
Director

Enclosures - 4

Distribution: O&3 - Addressee
1 - DCI

1 - ER

1 - Legislative Counsel

Approved For Release 2002/09/04 : CIA-RDP80B01676R002800070011-5

1 - DD/S

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A BILL

To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Central Intelligence Agency Act Amendments of 1962."

Sec. 2. Section 4 of the Central Intelligence Agency Act of 1949, as amended, and the heading thereto is amended to read as follows:

"Officer and Employee Allowances and Benefits

"Sec. 4. In the performance of the functions of the Central Intelligence Agency, the Director is authorized:

(a) to adopt or apply to officers and employees of the Agency such provisions, as he may determine to be necessary and appropriate, of the Foreign Service Act of 1946, as heretofore or hereafter amended, and of any other law pertaining specifically, or generally applicable, to Foreign Service officers, Foreign Service reserve officers, and Foreign Service staff officers and employees;

(b) to exercise with respect to officers and employees of the Agency such authorities, as he may determine to be necessary and appropriate, available to the Secretary of State under provisions of any such laws in order to make available to Agency officers and employees similar benefits, rights, privileges, and allowances authorized thereunder;

(c) to prescribe regulations for the granting of officer and employee allowances and benefits and for the exercise of the authorities set forth in this section."

Sec. 3. Section 5 of the Central Intelligence Agency Act of 1949, as amended, is amended by the addition of a new paragraph (g) as follows:

"(g) Under such regulations as the Director may prescribe the Director is authorized to exercise the authority available to the Secretary of State with respect to the establishment of a retirement and disability system under Title VIII of the Foreign Service Act of 1946, as heretofore or hereafter amended, in order to establish a corresponding retirement and disability system for such individuals and classes or groups of Agency officers and employees as he may designate from time to time."

EXPLANATION AND JUSTIFICATION

1. Purpose of Proposed Bill

a. The proposed bill permits the Central Intelligence Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Agency needs to attract and retain a force of highly qualified careerists in spite of its inability in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under Title VIII of the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for limited numbers of Agency employees.

b. Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in Title VIII of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency employees the authority available to the Secretary of State for the purpose of having Agency employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

2. Problem

All regular employees of the Central Intelligence Agency are at present covered by the provisions of the Civil Service Retirement Act. Such coverage is appropriate for those whose conditions, obligations, and terms of service are comparable to those of federal employees generally. However, the Agency has a serious problem in its need to make more adequate provision for certain

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of its employees who should be retired at an earlier age and with a more equitable annuity than can be provided under the Civil Service Retirement Act. This need stems from the fact that the Agency cannot provide to or expect from many individuals in its service a full-term working career of thirty or so years.

3. Background

a. The conditions underlying this situation are complex. For some years, the Agency has recognized that it faces a serious dilemma. On the one hand, the nature of its mission requires the employment of very highly qualified and motivated people and their continuing training and development over the years in highly specialized and esoteric fields of endeavor. In brief, career employment is essential to fulfill the majority of the Agency's requirements for personnel. On the other hand, factors directly related to the nature and conditions of service in foreign intelligence operations and factors affecting the capability and desire of individuals to remain in such work on a long-term basis make it infeasible to provide full-term career employment for all careerists.

b. The nature of the work involved in the Agency's operations requires people who have a high degree of vigor, vitality, endurance, resilience, and adaptability. Such traits are required to cope with the stresses and strains occasioned by uneven and uncertain hours and days of work, duty in unhealthy locations with less than adequate medical facilities, and arduous and, not infrequently, hazardous assignments. In summary, the nature of the Agency's mission requires people who accept the obligation to serve anywhere in the world and to be available for duty on a 24-hour-a-day basis.

d. There are other factors pertaining to the individuals themselves which, over the years, limit their ability and desire to continue in overseas intelligence operations. First, there is "motivational exhaustion." This term is used to describe a gradual lessening of interest and enthusiasm of an officer as a result of impingements on his personal and family life. These stem from

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the transient nature of his assignments, the complications and restrictions of cover and security requirements, and intrusions on his family life occasioned by the requirement that he spend his apparent "leisure time" in performing additional Agency duties after completing his cover workday. Further, while all Agency employees are subject to security restrictions which place severe limitations on their personal freedoms, employees serving abroad are subject to even greater restrictions and, in addition, must conduct their personal affairs in a manner consistent with their cover employment. These factors tend to lessen the enthusiasm and willingness of the family to accompany the officer on further assignments overseas. Lastly, our experience has shown that many employees or members of their families will in time incur physical impediments which limit or preclude further assignment overseas.

e. In addition to providing for separation short of a full-term career for those officers who are affected by the factors described above, the Agency must also be equipped to deal with sudden and sometimes radical shifts in the types of personnel required. These shifts cannot always be met by retraining of personnel whose primary qualifications thus become obsolete or unnecessary and they become "occupationally surplus."

4. Manpower Control

a. The Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of the body of employees engaged in conducting or supporting foreign intelligence operations. Insofar as possible, imbalances should and will be corrected by the reassignment of officers who cannot or should not continue in such work to other fields of work in the Agency. It is a certainty, nonetheless, that encouraged and induced attrition will be necessary. A program of managed attrition, however, is feasible only if it is linked with a system of retirement benefits which are sufficient to induce an employee or a prospective employee to take the risk that he may be one of those individuals who cannot serve a full-term career.

b. The seriousness of this risk to the individual is greatly augmented by the difficulty which he will encounter in effecting a transfer from intelligence operations to other government or commercial fields. The principal reason for this is that the special skills required for intelligence work are not ordinarily required in other fields. Other reasons are the inability of employees for cover and security reasons to describe or confirm to a prospective employer the scope and level of his duties and responsibilities. Further, there is a reluctance on the part of other employers, both government and private, who are engaged in business overseas to hire a former intelligence officer. This reluctance stems from their concern that the attitudes of foreign officials toward their enterprises might be adversely affected if they were known to employ "former spies."

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c. As part of its manpower control program, the Agency has instituted administrative procedures for identifying employees who become surplus to its needs because of the several factors described above and has recently engaged in an exercise which will result in the separation of approximately 150 such individuals. This process was made the more painful because of the relatively inadequate assistance which the Agency could offer those separated in making occupational transfers or in retiring prematurely. The benefits available were limited to those provided under the discontinued service provisions of the Civil Service Retirement Act and to modest separation compensation payments from the Agency related to years of service and salary.

5. Proposed Retirement System

a. In order to minimize the adverse effects of such programs on the Agency's ability to recruit and retain the caliber of personnel needed, and particularly to minimize their effects on the dedicated personnel already in the service of the Agency, better provision must be made for the futures of those individuals who are separated before completing a full-term career. An important means for doing so is to establish a retirement system permitting earlier retirement with a more nearly adequate and equitable annuity than is possible under the Civil Service Retirement System. The Foreign Service system is more suitable for Agency employees whose careers are concerned with intelligence operations. Aside from the additional special requirements of cover and security in CIA, these employees are subject to essentially the same conditions of service which were the basis for the development of the Foreign Service retirement system. It is pertinent that more than 1,500 Agency employees are in fact serving under Foreign Service cover and are exposed to precisely these same conditions of service. By adopting a system corresponding to the Foreign Service system, the Agency can take advantage of the considerable study and experience which has gone into its development.

b. Such a retirement system would not be appropriate for all Agency employees and it is not the Agency's intention in requesting authority to establish such a system to apply it to all employees. The essential criteria for coverage under the proposed retirement system would be as follows:

(1) Career employees whose duties and responsibilities are predominantly concerned with the conduct and support of intelligence operations in foreign countries or with covert support in the United States of such operations under comparable conditions.

(2) Career employees whose duties are so specialized that they are placed at a special disadvantage when required to seek other employment.

6. Estimated Number of Employees under Proposed System

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these employees would become eligible for optional retirement under the Civil Service Retirement System during each of the next five years. For the reasons presented in justification of our need for a retirement system comparable to that of the Foreign Service, and to correct imbalances in the age make-up of this group, we would hope, under the new system, to increase the average number of retirements from this group by about 40 in each of these years.

b. During the past year the average age of Agency personnel who retired under the Civil Service Retirement System was 66. We hope, in time, to lower the average retirement age of those under the new retirement system to about 55 years which is comparable to the average retirement age in the Foreign Service.

7. Cost Estimates

a. There will be certain increased costs for the administration of the retirement system which will be dependent upon the method by which the system is actually administered. There are two alternative methods of administering the system under consideration but final determination of the method will require further study of the security and other problems inherent in the administration of the program.

(1) The first of these methods would be by satelliting the funding of the program on a current retirement fund. If this method of funding were used it is anticipated that there would be minimum increased costs of administration of the part of the retirement system involved. Internal administration, however, which would involve identification of individuals under either the Civil Service Retirement System or the CIA Retirement System, would require some increased costs within the Agency. The costs of administering the program would be nominal during its first year but after five years it is esti-

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b. There would be certain increased costs resulting from early retirements and the increased retirement rates granted individuals retiring under the CIA retirement program as opposed to the Civil Service retirement program. The amount of the increased costs during the early years would be quite nominal depending on the number of retirees but would increase as the magnitude of retirements as outlined in paragraph 6 developed.

Honorable Lyndon B. Johnson
President of the Senate
Washington, D. C.

Dear Mr. Johnson:

This letter transmits for the consideration of the Congress a proposed amendment to the Central Intelligence Agency Act of 1949, as amended. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly qualified careerists in spite of its inability in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under Title VIII of the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in Title VIII of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency employees the authority

available to the Secretary of State for the purpose of having Agency employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration.

Sincerely,

John A. McCone
Director

Honorable John W. McCormack
Speaker of the House of Representatives
Washington, D. C.

Dear Mr. Speaker:

This letter transmits for the consideration of the Congress a proposed amendment to the Central Intelligence Agency Act of 1949, as amended. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly qualified careerists in spite of its inability in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under Title VIII of the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

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Sincerely,

John A. McCone
Director